



August 28, 2001

Mr. David M. Rib
Manager of Regulatory Affairs
KJC Operating Co.
41100 Highway 395
Boron, CA 93516-2109

SUBJECT: Approval of Elimination of the 16 Hours-Per-Day Limit on Fossil Fuel
Electrical Generation at the SEGS III-VII Facility (87-AFC-1C)

Dear Mr. Rib:

California Energy Commission (CEC) staff have reviewed Kramer Junction Company's request to change Condition 1-24 of the SEGS III-VII Commission Decision. The change eliminates language that limits the daily hours of operation using fossil fuel-fired electrical generating equipment to a maximum of 16 hours-per-day and makes other technical modifications. The project's hourly and daily emission limits will remain in effect. The maximum hours of operation of fossil fuel-fired generation equipment will be limited by the daily emission limits. This letter approves the requested change.

The Governor's Executive Order D-40-01, issued on June 11, 2001, provides a mechanism whereby generators may exceed their emission limits without penalty by paying specified mitigation fees to their local air quality management district. The Order further provides that any plant operating in compliance with the Order will not be subject to penalties related to its additional hours of operation or power generation, and that emissions resulting from operating in compliance with the Order are not to be considered in any determination of noncompliance with existing emission limits. If the SEGS VIII and IX facilities choose to operate in excess of existing emission limits, but in compliance with the Order, including payment of appropriate fees, please notify the Energy Commission Compliance Project Manager (CPM) and the Mojave Desert Air Quality Management District (the District) in advance. This will ensure that prescribed procedures are put into effect to ensure that qualifying excess emissions can be disregarded in determining compliance with applicable air emission limits.

The following is the revised language of Condition of Certification of 1-24 that removes the 16 hours-per-day limit on fossil-fueled electrical generation (new wording shown double underlined, deleted wording shown with strikeout):

Condition 1-24 Operational Phase. Upon completion of ~~Luz's~~ the project Owner's installation, startup and acceptance testing phase, which includes the District's required performance tests to determine the boiler/superheater NOx limits, the aggregate of SEGS III through VII shall not discharge or cause the discharge into the atmosphere of pollutants in excess of those listed in Tables I and II and the lbs/day emission limits listed for each individual SEGS unit in Table III.

~~In addition, the operation of each SEGS boiler/superheater shall be limited to a maximum of 16 hours per day for electricity generation.~~ If the emergency oil heater is operated when the associated SEGS unit boiler/superheater is operating, the maximum individual unit hourly emissions for the boiler/superheater shall be reduced to 32.3 lbs/hr for SEGS III, IV, V and 19.2 lbs/hr for SEGS VI and VII. Annual emissions of any regulated pollutant shall not exceed 94 tons for the aggregate of the five SEGS projects per year. Fossil fuel use is to be limited consistent with FERC requirements.

~~Luz~~ The project owner shall perform compliance testing for SEGS III through VII annually (at least 30 days prior to the anniversary date of the issuance of the PTO) utilizing a SBCAPCD District and California Air Resources Board certified testing lab.

Verification: Refer to Verification to Condition 1-29. The project owner shall submit annually to the CEC CPM the results of the annual compliance testing for SEGS III through VII and verification of certification of the testing lab by the SBCAPCD District and the California Air Resources Board. Operating records will be kept at the site and shall be made available for inspection by the CEC CPM and ~~MDAQMD~~ the District upon request.

As directed by Governor's Executive Order D-25-01, concerning post-certification amendments, we have expedited review of these proposed project modifications because statutes and implementing regulations that normally apply to review and approval of this amendment have been suspended. Energy Commission staff have concluded that this modification has no potential for adverse environmental or public health and safety impacts. Therefore, you are authorized to proceed with the project modifications as requested. A copy of this letter will be posted on the Energy Commission's website at www.energy.ca.gov, and we will file a California Environmental Quality Act Notice of Exemption with the State Clearinghouse.

If you have any questions, please contact Steve Munro, Compliance Project Manager, at (916) 654-3936, or by e-mail at smunro@energy.state.ca.us.

Sincerely,

ROBERT L. THERKELSEN, Deputy Director
Systems Assessment & Facilities Siting